Antecedent SMEs Performance: The Interaction Effect of External Integration

Ni Komang Santi Yullia Sari1, Ni Wayan Srinita2, I Ketut Setia Sapta3, Ni Made Satya Utami4, Ni Wayan Rustiarini5
Universitas Mahasaraswati Denpasar
Corresponding Author: Ni Made Satya Utami satyakesawa@unmas.ac.id

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ABSTRAK

Competence and entrepreneurial orientation are key factors in maintaining the resilience of SME businesses. Specifically this study has the following objectives; (1) to identify the effect of entrepreneurial orientation (EO) on the performance of SME companies, (2) to identify the effect of entrepreneurial competence (EC) on the performance of SME companies (3) to identify the effect of EO on the performance of SME companies with external integration moderation variables (ExIn), (4) to identify the effect of EC on the performance of SME companies with external integration moderation variables (ExIn). The population and sample of this study are small and medium enterprises (SMEs) in several districts/cities in the province of Bali with respondents owners/leaders of SMEs several 150 people. Data analysis using SEM approach and processing with the help of Smart PLS 3.2.2. The results showed; the first hypothesis that entrepreneurial orientation (EO) has a positive effect on the performance of SME companies (FP). Based on the test results obtained the first hypothesis is accepted. The results of the second hypothesis test that entrepreneurial competence (EC) has a positive effect on the performance of SME companies (FP). The second hypothesis was rejected. Hasip tested the third hypothesis that external integration can moderate (strengthen) the influence of entrepreneurial competence (EC) on the performance of SMEs. The third hypothesis (H3) was rejected.
INTRODUCTION

Most countries in the world understand the importance of small and Medium Enterprises (SMEs) in their contribution to economic growth (Okoli, Nwosu, & Okechukwu, 2021). The government of Indonesia has taken various ways to fulfill the facilities and infrastructure for the community to obtain jobs, including through the policy of empowering micro, small, and Medium Enterprises (MSMEs). Based on data from the Ministry of Cooperatives and SMEs, the number of SMEs currently reaches 64.2 million (Azzura, 2021) with a contribution to GDP of 61.07% or worth 8,573.89 trillion rupiah. The contribution of SMEs to the Indonesian economy includes the ability to absorb 97% of the total workforce (Habibie, 2022) and collect up to 60.4% of the total investment (Permata, Indrawijaya, and Solikhin, 2023). However, the high number of SMEs in Indonesia is also inseparable from the existing challenges. All the biggest obstacles to SMEs are market fluctuations and economic uncertainty that if handled and managed properly will be able to contribute more to the economy (Khan, Rathore, and Sial, 2020). The development of the SME sector aims to increase the potential to expand employment and increase income so that the government sets measures to foster business interest for SMEs at the national level which include; the provision of funding resources, procedures, and requirements for meeting funding needs, competition, Infrastructure, Information, partnerships, licensing and protection and coaching and development of SMEs at the national level including.

On the other hand, the focus of SME practitioners and researchers in developing countries such as Indonesia has observed that the growth rate of SMEs in developing countries still needs to be strengthened (Haider, Asad, and Fatima 2017). In this context, SME entrepreneurs may have the orientation to become entrepreneurs but they may lack the competencies that must be possessed to compete in a dynamic industry (Al-Shami, Alsuwaidi, and Akmal, 2022). In addition, according to Tehseen & Ramayah, (2015), competencies may not be easily replicated by competitors, so these types of abilities and skills can play an important role in developing economies. Many factors influence the performance of a company, which in essence can be grouped into internal and external factors (Wardita et al., 2021). Antecedent variables that affect the performance of SMEs in the form of entrepreneurial orientation variables, organizational culture, internal factors, corporate entrepreneur capability (Kartika, 2017); entrepreneurial innovations, entrepreneurs' competencies, professional competencies, social competencies personal competencies (Ismail, 2022); entrepreneurship orientation, catur purusa artha culture (Riana and Wirasedana, 2018). In this regard, the role of Resource View (RBV) theory plays an important role considering that the competence and orientation of people are very specific so that these skills can be used effectively in building better company performance (Meekaewkunchorn et al., 2021).

So observing the above conditions, it is still very relevant to improve entrepreneurial competence (EC) and develop an entrepreneurial orientation (EO) about the performance of SMEs to perform better in a competitive business environment (Khan, Rathore, and Sial, 2020). Currently, very few studies have
been conducted on EO, and EC related to the performance of SMEs in Indonesia that measure variables holistically so it takes time to discuss these areas to provide a better platform for SMEs to remain competitive in their respective sectors. Therefore, it is important to know why some entrepreneurs perform better in one area, it can be for the basic reason of a less precise understanding of EO and EC (Asad et al., 2016). On the other hand, SMEs need to integrate external factors such as suppliers and customers about company performance, Tehseen and Ramayah (2015) and Ismail (2023), making external integration a moderating variable. Amoako et al., (2022) positioned external integration as a mediating or intervening variable in their research model. Subburaj, Sriman, and Mehrolia, (2020) raised external integration as an antecedent variable of company performance.

The gap in this study is the very small number of moderating variables that explain the relationship between EO, EC, and company performance (Rezaei and Ortt, 2018). In addition, most of the studies are conducted to improve the financial performance of SMEs, but very little attention is paid to EO and EC related to the SME sector (Al Mamun et al., 2018). Therefore, this study can play an important role in establishing the importance of EO and EC to be effective entrepreneurs to improve the performance of SMEs (Khan, Rathore, and Sial, 2020) by including external integration variables. On the other hand measuring performance, EC and EO are complex processes, therefore it is mandatory to operationalize through different dimensions (Asad et al., 2016). Specifically, the objectives of the study are as follows; (1) to identify the effect of entrepreneurial orientation (EO) on the performance of SME companies, (2) to identify the effect of entrepreneurial competence (EC) on the performance of SME companies, (3) to identify the effect of EO on the performance of SME companies with external integration moderation variables (ExIn), (4) to identify the effect of EC.

Further, the article is divided into four parts. Part 1 is an introduction; Part 2 covers matters related to theoretical study and hypothesis development. In Section 3, research methods and their specific materials are discussed. Section 4 describes the results of the analysis and discussion of the identified hypotheses. Finally, Section 5 concludes and provides limitations and advice suggestions.

**LITERATURE REVIEW**

**Resource-Based View (RBV) And Resource Dependency Theory (RDT)**

Resource-based view (RBV) and resource dependency theory (RDT) RBV argue that a company can only achieve sustainable competitive advantage if it has valuable, uncommon, inimitable, and irreplaceable resources and capabilities (Safari and Saleh, 2020). In addition, resource-based SME management views States as a strategic management approach that highlights the internal resources and organizational capabilities of SMEs as the basic strategy and implementation of their competitive advantages (Ampauleng, 2023). In addition, in the context of SME management, RBV is advantageous for the identification and utilization of resource variations (Ofori and Appiah-Nimo, 2023). Some research has considered small companies from a resource-based view, but small companies are likely to be companies that must rely heavily on the resources of the owner's
skills (Lerner and Almor 2002). Despite all the resources, SMEs cannot close their eyes to their work environment. Resource dependency theory (RDT) examines the sources of External Control, their effects on inter-organizational relationships, and how those in charge of the organization exercise their authority and their interdependence (Omotayo 2023); (Gao, Wong, and Lai 2023).

The purpose of the leader of the organization is to maintain the existence of the organization, increase its autonomy, and maintain stability in the exchange relations of the organization. RDTs guide managers on how to choose the least restrictive mechanisms to control interactions with their trading partners, thereby minimizing uncertainty. In this study, resource-based view and resource dependency theory are very important in the organizational decision-making process. The findings of the study indicate that resource dependency and resource-based views are adopted in the decision-making process. The study confirms that private, public, and nonprofit organizations are not self-sustaining. They all operate as open systems and constantly interact with the environment. So the use of RBV and RDT theory is consistent with this study which examines the relationship between entrepreneurial orientation (EO), and competence in performance (Ringo, Tegambwage, and Kazungu, 2022; Kiyabo and Isaga 2020; Monteiro, Soares, and Rua 2017; Imran, Aziz, and Abdul Hamid 2017) and put external integration as moderation (A. Ismail 2023) (Tehseen and Ramayah 2015)

**SME Performance**

Kotane and Kuzmina-Merlino (2017); and Kiyabo and Isaga (2020); state that the performance of SMEs refers to the company's business activities. Researchers agree that performance is a multidimensional concept, so a single performance indicator is likely to produce misleading results. The diversity of SME performance measurement tools developed by Western countries, because entrepreneurs in developed countries are ready to be exploited, is certainly different from in developing countries where performance measurement is motivated by the need (Kiyabo and Isaga 2020). Empirical and theoretical research has been held in various countries where the amount of research on SMEs does not seem to make a fundamental difference in measuring the performance of SMEs (Garengo, Biazzo, and Bititci 2005), only based on the time and country in which the study was conducted. Based on this opinion, this study tries to accommodate the good performance measurements that are conventionally applied in Western countries such as sales growth, assets, profits, employees, and equity (Khan, Rathore, and Sial 2020). Whereas the reality in the developing world uses the personal wealth approach as suggested by Eijdenberg (Kiyabo and Isaga, 2020) namely changes for consumption, Health Care, and Residence acquisition capabilities.

**Entrepreneurial orientation (EO)**

Conceptualization of entrepreneurial orientation (EO) by Miller's view in 1983 identified entrepreneurial orientation as a phenomenon consisting of three main dimensions; innovative, risk-taking, and proactive (Al-Shami, Alsuwaidi,
and Akmal 2022). Studies on entrepreneurial orientation show that companies should introduce innovations to existing products, services, and processes and be more proactive than competitors in all aspects (Kallmuenzer and Peters 2018). Recently, many scholars have followed an entrepreneurial orientation model with five dimensions. Shayo & Uiso (2019) define entrepreneurship-oriented companies in five attributes including engaging in product market innovation, undertaking rather risky ventures, embracing autonomous idea generation, and being the first to generate 'proactive' innovation while aggressively taking an offensive stance in the face of competitors. Entrepreneurship literature has highlighted the role of entrepreneurs in the success of SME businesses (Tehseen and Ramayah 2015). Entrepreneurial orientation (EO) is the activity of processes, practices, and decision-making that lead to producing something new. Entrepreneurial orientation is considered an additional resource of the company (Khan, Rathore, and Sial 2020) or organizational capabilities that show the entrepreneurial process and how business activities can run (Iqbal et al. 2021). EO is one of the key constituents in the success of any company (Wales et al. 2016). EO is largely considered a "cultural construct" with several dimensions including proactivity, risk-taking, and innovation (Khan, Rathore, and Sial 2020).

**Entrepreneurial Competence (EC)**

According to resource-based theory, the company's value creation process is strongly related to the manager's ability to acquire and develop resources (Rumman et al. 2021). In simple terms, a person's competence is the ability that a person needs to perform the assigned work (Aliyu 2017). Competence is not a fixed trait, competence can be developed and learned through Gelderen's experience and training (2023). Similarly, based on RBV theory, entrepreneurial competence is also a valuable resource, and the theory argues that resources can ultimately lead to business success and performance (Hussain et al. 2022). Menurut Gelderen (2023), entrepreneurial competence is a set of characteristics involving personality traits, skills, and knowledge. They can be viewed as the total ability of the entrepreneur to carry out his role successfully. Sakib et al. (2022) clearly distinguish between innate and learned competencies. Innate or natural elements of competence are not easy to change, but appropriate training and education programs can change the externalized forms of competence (Peschl, Deng, and Larson 2021). From the study of some literature in particular Sakib et al. (2022) it has grouped six domains of entrepreneurial competence and their impact on the success of SMEs. The six domains are; (a) strategic competence (Strategic Competency) which is the capacity of entrepreneurs to create, assess, and implement corporate strategies, (b) organizing and leading competence (Organizing and leading competency), where the competence is related to the organization of various companies; resources, such as human, financial, physical, and technical resources, and include activities such as team building, employee leadership, controlling, and training, (3) opportunity competence (Opportunity competency); which is the capacity of entrepreneurs to recognize, seek, and utilize business opportunities, (4) commitment competence (Commitment competency); competencies that motivate
entrepreneurs to continue to run a business and start over after experiencing setbacks, (5) Learning competence (Learning competency) which is the ability to continue to learn in relevant disciplines and apply what has been learned, (6) relationship competence (Relationship competency); in relationships with suppliers, consumers, workers, rivals, government officials, and other stakeholders.

**External Integration**

Integration refers to the extent to which different parties collaborate and work together to achieve a common goal (Ismail 2023). External integration represents the company's need to acquire elements of resources from other companies around it, and how the scarcity of the company's resources forces it to create new ideas using alternative resources (Afshan and Motwani 2018). So in other words, SMEs must rely on their suppliers and customers to acquire resources such as quality raw materials, technologies, evolving trends, and information about the tastes and desires of the current market (Wajdi et al. 2023). External integration of a company refers to strategic alliances with its customers and suppliers by taking advantage of market opportunities (Kumar et al., 2017). Few studies have used external integration as a moderator (Ismail, 2023). Tehseen and Ramayah (2015) and, making external integration a moderating variable. Amoako et al., (2022) positioned external integration as a mediating or intervening variable in their research model. While (Subburaj, Sriram, and Mehrolia, 2020) lifted external integration as a variable antecedent of corporate performance.

1) **Customer Integration**

Boer and Boer (2019) state that customer data is the most important data for companies, and as a strategy that needs to be adopted to face market challenges. Customer integration is a big challenge for a company to the extent that it can partner with members and store customer data. Potential businesses will fail due to poor customer data storage and irregularity (Afshan and Motwani, 2018). Customer integration includes the integration of the boundaries of logistics activities outside the company (Kumar et al., 2017). To achieve all that the integration process needs to develop strategies, procedures, practices, and processes of collaboration between organizations into the organization, as well as management synchronization to be able to meet the needs of the customers (Wajdi et al., 2023). As per the literature the customer relationship has been conceptualized in various ways, including cultivating relationships (loyalty), maintaining relationships (interaction), and creating relationships (attraction) (Depaoli, Za, and Scornavacca, 2020). Because SMEs typically have fewer consumers or a limited customer base, close and good client relationships are essential to understanding and meeting their needs. Customer satisfaction leads to loyalty, which significantly adds to the company's success (A. Ismail, 2023).

**Supplier integration**

Arijanto (2022), explaining the integration of supply will not be separated from the term supply because supply integration is based on the reference to the
extent to which an organization can work together with supply chain management partners and also manage organizational processes, both domestic and international, as well as decision-making efficiently and to provide maximum added value for users. According to A. Ismail (2023) supplier relationships include collaboration and coordination between providers and buyers. Suppliers are involved in a variety of critical operations such as procurement, research and development, distribution, and decision-making through strategic alliances, by forming strategic collaborations with suppliers, manufacturers can reduce purchased lead times, share information, and generate multi-skilled workforce training (Zhao et al., 2019). Three main elements can be explained for supply chain integration in the model, namely a clear and transparent information system (regarding information management and financial flows), inventory management (product flows and material flows), and supply chain correlation (managing relationships between trading partners) (Wajdi et al., 2023).

Entrepreneurship Orientation (EO) and SME Performance

EO is already recognized as one of the key constituents in the success of any company (Wales et al. 2016). The correlation between EO and company performance has been widely discussed, but on the other hand, there are still many unresolved questions, considering that the relationship between EO and performance is a multidimensional construction (Kiyabo and Isaga, 2020). This relationship depends on the indicators used to assess EO and performance (Amoako et al., 2022). Companies that tend to have a higher level of entrepreneurial orientation will act independently and are always driven to innovate, take risks, be proactive, and be aggressive (Ciampi et al., 2021). Entrepreneurial orientation has an acceptable meaning in explaining business performance (Khan, Rathore, and Sial, 2020). Several studies use a separate dimension of EO to test the relationship with performance or add a moderation variable to establish a relationship (Al Mamun et al., 2018). Through the three dimensions of EO, namely "innovative, proactive, and risk-taking". It can be concluded that the performance increases with an increase in EO (Lisboa, Skarmeas, and Saridakis, 2016). A similar study was conducted and concluded that the company’s performance increases with an increase in EO (Palmer et al., 2019). In a study conducted in Singapore SMEs, entrepreneurial orientation was found to be positively related to entrepreneurial performance (Keh, Nguyen, and Ng 2007). In a study conducted in Singapore SMEs, entrepreneurial orientation was found to be positively related to entrepreneurial performance (Keh, Nguyen, and Ng 2007). Based on the existing concept and the results of previous research, the first hypothesis (H1) is proposed; entrepreneurial orientation (EO) has a positive effect on the performance of SME companies.

Entrepreneurship Competency and SME Performance

Along with the rapid development of technology, SMEs face an increasingly competitive business environment that results in difficulties in maintaining their business performance (Kraus et al., 2012). Gunartin et al., (2023)
explaining the competency approach has become an increasingly popular means of studying the characteristics of entrepreneurship. Therefore, human capital is an indispensable factor because it affects business performance (Barazandeh et al., 2015). In particular, the influence of the entrepreneur or owner is considered critical and this must be dealt with through a competency approach (Subramaniam and Ismail, 2023). So, human capital is the real asset of any company and regardless of the type of industry, it is essential for the performance of a business (Riante and Utama, 2023). On the other hand, competencies generate the human capital of a company that represents the education, experience, skills, genetics, and attitudes of the business owner and his employees (Sakib et al., 2022). So thus, entrepreneurial competence affects business performance (Mitchelmore and Rowley, 2010). A large number of study results have shown a positive relationship between EC and SME Performance. Studies conducted by Sánchez (2012) in Spain, concluded that EC plays an important role in improving entrepreneurial performance in a study conducted on 197 microentrepreneurs in Malaysia, the results showed a significant relationship between EC and performance (Al Mamun et al., 2016). Several other studies have also produced a positive link between EC and SME Performance (Aliyu, 2017; Zizile and Tendai, 2018; Barazandeh et al., 2015). Based on the exposure and results of previous studies, the second hypothesis (H2) is proposed: entrepreneurial competence (EC) has a significant positive effect on the performance of SME companies (FP).

**Entrepreneurial Competence, SME Performance, and External Integration**

The concept of integration begins with the awareness of companies that feel the difficulty in coordinating supply partners and customers to the internal parts of the company (Rusmana and Setyawan, 2021). Schroeder and Goldstein (2020) suggest to improve the performance of the supply chain customers need better coordination efforts, not only in the company's internal but also with external parties. SMEs’ strong relationships with customers and suppliers enable SMEs to gain access to information about the latest client preferences and tastes, as well as new technologies and innovative techniques. Several studies are looking at the impact of external integration on the relationship between resilience and SME business success (Ismail, 2023). As a result, the current study seeks to evaluate the impact of customer and supplier relationship moderation on the relationship between business resilience and the success of Malaysian SMEs in the manufacturing industry. Tehseen and Ramayah (2015) in their hypothetical study conceptualize the importance of entrepreneurial competence to the success of SMEs by including the concept of external integration as a moderator between the relationship of independent and dependent variables. Ismail (2023) argues that external integration moderates the impact of business resilience on SME success. As the existing literature reveals the importance of entrepreneurial competence to business success, this paper argues that through external integration, this relationship can be further enhanced. On the other hand, the findings of the study found that the direct relationship of external integration (ExIn) with the performance of SMEs (FP) is significantly positive.
(Subramaniam and Ismail 2023). Based on the above exposure, the following hypothesis is proposed; the third hypothesis (H3) states that external integration can moderate the relationship between entrepreneurial competence (EC) and SME Performance (FP).

By the theoretical exposure, the relationship between the variables raised and the empirical evidence that supports the research model is described as follows (Figure 1);

![Research Model](image)

**Figure 1: Research Model**

**METHODOLOGY**

**Population And Sample**

The population in this study is the owner or manager of small and Medium Enterprises (SMEs) specializing in clothing in five districts/cities, in Bali Province in 2023, which amounted to 1,579 SMEs. The population is divided into five groups based on the geographical distribution of districts/cities in the province of Bali such as Tabanan, Badung, Klungkung, Karangasem, and Denpasar. The details of the population and the sample are as follows.

<table>
<thead>
<tr>
<th>No</th>
<th>Regency / City</th>
<th>Total SME (unit)</th>
<th>Sample (Unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Badung</td>
<td>199</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>Denpasar</td>
<td>1.103</td>
<td>110</td>
</tr>
<tr>
<td>3</td>
<td>Karangasem</td>
<td>79</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>Klungkung</td>
<td>147</td>
<td>15</td>
</tr>
<tr>
<td>5</td>
<td>Tabanan</td>
<td>51</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>1,579</strong></td>
<td><strong>158</strong></td>
</tr>
</tbody>
</table>

Source: Central Bureau of Statistics, 2023

The sample is a portion of the number and characteristics possessed by the population. The criteria used for the selection of samples in this study include: (1) SMEs have been established for at least five years, (2) SMEs have at least 3 employees. According to the SEM model, the minimum sample size is 5-10 times.
the variable or indicator of the overall latent variable. In this study, the sample size is determined purposively by 10 percent of the population so that the number of samples obtained is as many as 158 units of SMEs.

**Data Collection Methods**

Data collection was carried out for three months (October to December 2023) both directly and through distributing questionnaires online via Google form. According to the number of samples of 158 SMEs, the number of questionnaires distributed as many as 200 quizzes to all SMEs in the research area according to the distribution of existing samples. Single key informants from 158 SME companies were subjected to a data collection approach with a direct approach to the research site and communication via social media. As a condition of this study, resource persons are entrepreneurs and SMEs. Therefore, the approach to data collection is unique. The results of data collection totaled 150 (75%) complete responses and can be used for further analysis (Table 2).

<table>
<thead>
<tr>
<th>Distribution of the questionnaire spread</th>
<th>Number of questionnaires (pieces)</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributed questionnaires</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>The number of questionnaires returned</td>
<td>165</td>
<td></td>
</tr>
<tr>
<td>Questionnaires that do not match the criteria</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Incomplete questionnaire</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>A completed questionnaire can be used</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>Percentage of questionnaires returned</td>
<td></td>
<td>83%</td>
</tr>
<tr>
<td>Percentage of questionnaires that can be used</td>
<td></td>
<td>75%</td>
</tr>
</tbody>
</table>

Operational definition and variable indicators

This study raised as many as four latent variables, namely SME Performance (SP), entrepreneurial competence (EC), entrepreneurial orientation (EO), and External Integration (ExIn). As for the definitions, each of them is presented in the following table:

<table>
<thead>
<tr>
<th>Construct (Variable)</th>
<th>Operational Definition</th>
<th>Dimensions, indicators, and question items</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm Performance (FP)</td>
<td>Company performance; the ability of SMEs to produce results in a specified dimension about specific targets.</td>
<td>Measurement of SME Performance (FP) with eight indicators; (a) sales growth, (b) asset growth, (c) profit growth, (d) employee growth, (e) equity growth. as well as (f) costs for consumption,</td>
<td>(Kiyabo and Isaga 2020); (Khan, Rathore, and Sial 2020).</td>
</tr>
</tbody>
</table>
Entrepreneurial Competence (EC) | A set of characteristics involving personality traits, skills, and knowledge | EC includes; (a) strategic competence (b) organizing and leading competence (c) opportunity competence (d) commitment competence, (e) learning competence, (f) relationship competence | (Sakib et al. 2022)

Entrepreneurial orientation (EO) | Is a strategic orientation of SMEs, in obtaining certain aspects of entrepreneurship in the sense of style, practice, and method. | EO has three dimensions, namely; (a) always driven to innovate (Innovation), daring to take risks (Risk), proactive, and aggressive | (Ciampi et al. 2021)

External Integration (Exin) | It is a process in which SMEs engage with their customers and suppliers to configure collaborative and synchronized processes (Amoako et al. 2022) | External integration (Exin) includes two things: Customer integration through; loyalty, interaction, and interest, Supplier integration through; clear and transparent information systems, inventory management, and management of relations between trading partners | (Depaoli, Za, and Scornavacca 2020); (Amoako et al. 2022); (Wajdi et al. 2023)

Data Analysis Techniques
This study used SPSS version 25 to measure the descriptive statistics of research respondents. Similarly, for inferential statistics, this study uses Structural Equation Modeling (SEM) with the help of Partial Least Square (Smart PLS) 3.3.2 for analysis purposes both confirmatory test and structural model test.
RESEARCH RESULTS
Characteristics of Respondents
The characteristics of the respondents in this study were seen from; gender, age, last Education, and whether or not they had attended training. The full description is shown in Table 4 below:

Table 4. Description of the Characteristics of Research Respondents

<table>
<thead>
<tr>
<th>Description</th>
<th>Number Of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>118</td>
<td>79</td>
</tr>
<tr>
<td>Female</td>
<td>32</td>
<td>21</td>
</tr>
<tr>
<td>Total:</td>
<td>150</td>
<td>100</td>
</tr>
<tr>
<td>Age:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 30 years old</td>
<td>34</td>
<td>23</td>
</tr>
<tr>
<td>31 - 40 years old</td>
<td>68</td>
<td>45</td>
</tr>
<tr>
<td>41 - 50 years old</td>
<td>35</td>
<td>23</td>
</tr>
<tr>
<td>Above 51 years</td>
<td>13</td>
<td>9</td>
</tr>
<tr>
<td>Total:</td>
<td>150</td>
<td>100</td>
</tr>
<tr>
<td>Education:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMA/SMK</td>
<td>27</td>
<td>18</td>
</tr>
<tr>
<td>Diploma</td>
<td>69</td>
<td>46</td>
</tr>
<tr>
<td>Undergraduate / Graduate</td>
<td>54</td>
<td>36</td>
</tr>
<tr>
<td>Total:</td>
<td>150</td>
<td>100</td>
</tr>
<tr>
<td>Training:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ever</td>
<td>125</td>
<td>83</td>
</tr>
<tr>
<td>Never</td>
<td>25</td>
<td>17</td>
</tr>
<tr>
<td>Total:</td>
<td>150</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: processed primary Data, 2024

Based on gender showed that male respondents as many as 32 people (21%) and female respondents as many as 118 people (79%). Based on age, to determine the age distribution of respondents who participated in the study showed that respondents aged < 30 years were 34 people (23%), respondents aged 31-40 years were 68 people (45%), ages 41-50 years were 35 people (23%), and ages > 50 years were 13 people (9%). Based on the age data of respondents in this study, it can be said that the majority of SME owners/leaders are dominated by productive age with an age range of 31-50 years. In terms of education level to determine the intellectual level of SMEs participating in the study showed that respondents with high school/vocational education as many as 27 people (18%), diplomas as many as 69 people (46%) bachelor/post (S1/S2) as many as 54 people (36%). This educational condition shows that most of the respondents have an adequate level of higher education with most of the respondent's diplomas and undergraduate/graduate. Increasing competence can be seen as one of them from never attending training or special skills education. The results of the data tabulation show that most of the
owners/leaders of SMEs have attended training (83%) and a small percentage have never (17%).

This study uses structural equation modeling analysis with a partial least square approach the data processing steps using Smart PLS consist of several stages. In the first stage, the validity test uses outer loading, and the Goodness of fit test uses composite reliability and AVE. The next stage is hypothesis testing using path coefficients. The following table describes each of the results obtained.

Validity Test with Outer Loading
Outer loading (measurement model) or convergent validity is used to test the unidimensional of each construct. A loading factor value greater than or equal to 0.5 can be said to be valid. This can be seen in the following Figure 2;

![Figure 2. Validity Test With Outer Loading](image)

Based on Figure 2, it can be concluded that all existing construct indicators are valid because they have an outer loading value greater than 0.5

Composite Reliability
Reliability test or data reliability is done through composite reliability. Pay attention to the results of composite reliability (Table; 5) where the overall test results are above 0.70. So, it can be concluded that the variable data raised is reliable and reliable and can be used to perform hypothesis testing.
Table 5. Composite Reliability by Looking at Outer Loading

<table>
<thead>
<tr>
<th>Indicator</th>
<th>EC</th>
<th>EO</th>
<th>ExIn</th>
<th>FP</th>
</tr>
</thead>
<tbody>
<tr>
<td>EC4</td>
<td>0.975</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EC5</td>
<td>0.966</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EC6</td>
<td>0.938</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO1</td>
<td></td>
<td>0.921</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO2</td>
<td></td>
<td>0.92</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ExIn1</td>
<td></td>
<td></td>
<td>0.907</td>
<td></td>
</tr>
<tr>
<td>ExIn2</td>
<td></td>
<td></td>
<td>0.879</td>
<td></td>
</tr>
<tr>
<td>FP1</td>
<td></td>
<td></td>
<td></td>
<td>0.774</td>
</tr>
<tr>
<td>FP2</td>
<td></td>
<td></td>
<td></td>
<td>0.815</td>
</tr>
<tr>
<td>FP3</td>
<td></td>
<td></td>
<td></td>
<td>0.785</td>
</tr>
<tr>
<td>FP4</td>
<td></td>
<td></td>
<td></td>
<td>0.749</td>
</tr>
<tr>
<td>FP5</td>
<td></td>
<td></td>
<td></td>
<td>0.791</td>
</tr>
<tr>
<td>FP6</td>
<td></td>
<td></td>
<td></td>
<td>0.863</td>
</tr>
<tr>
<td>FP7</td>
<td></td>
<td></td>
<td></td>
<td>0.908</td>
</tr>
<tr>
<td>FP8</td>
<td></td>
<td></td>
<td></td>
<td>0.882</td>
</tr>
</tbody>
</table>

Source; smart PLS data processing results, 2023

Reliability Test
A reliability test is used to determine the consistency of the research respondents to the quiz answered. This test is through Cronbach's Alpha, Composite Reliability, and AVE. The calculation results can be seen through the following Table 6.

Table 6. Cronbach’s Alpha, Composite Reliability and AVE

<table>
<thead>
<tr>
<th>Construct</th>
<th>Cronbach's Alpha</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EC</td>
<td>0.959</td>
<td>0.972</td>
<td>0.921</td>
</tr>
<tr>
<td>EO</td>
<td>0.819</td>
<td>0.917</td>
<td>0.847</td>
</tr>
<tr>
<td>ExIn</td>
<td>0.747</td>
<td>0.887</td>
<td>0.797</td>
</tr>
<tr>
<td>FP</td>
<td>0.931</td>
<td>0.943</td>
<td>0.677</td>
</tr>
</tbody>
</table>

Source; smart PLS data processing results, 2023

From Cronbach's Alpha and Composite Reliability with the provision that each Score has a minimum resulting value of 0.70. Furthermore, the Ave value is commonly used to assess reliability when the Ave value is > 0.50. So looking at the existing table it seems that all the criteria are met so it can be said to be reliable.

Hypothesis Testing Results
In this study, hypothesis testing is done by looking at the value of the path coefficient processed through Smart PLS. Through the following table, 4 can be seen the results of hypothesis testing obtained.
Table 7. Result Path Coefficient

| Influence Between Variables | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
|-----------------------------|---------------------|-----------------|---------------------------|--------------------------|----------|
| EC ® FP                     | 0.067               | 0.064           | 0.046                     | 1.448                    | 0.148    |
| EO ® FP                     | 0.57                | 0.57            | 0.092                     | 6.183                    | 0        |
| ExIn ® FP                   | 0.335               | 0.337           | 0.091                     | 3.674                    | 0        |
| Mod Effect EC ® FP          | -0.018              | -0.014          | 0.04                      | 0.448                    | 0.654    |

Source: smart PLS data processing results, 2023

In addition, through Table 7, the research model and hypothesis testing results can be seen in Figure 3 below.

In addition, through Table 7, the research model and hypothesis testing results can be seen in Figure 3 below.

**DISCUSSION**

Based on Table 7 and Figure 3, the answers and discussion for each hypothesis proposed in this study are as follows;

**Hypothesis 1**

Entrepreneurship orientation (EO) has a positive effect on the performance of SME companies (FP). Based on the test results obtained path coefficient value of 0.570 (positive) with a statistical t value of 6.183 (1.96), means the first hypothesis is accepted. This means that the increasing EO of SME leaders will further improve the performance of SMEs in Bali Province. The results of this study support the findings of Lisboa, Skarmeas, and Saridakis (2016). Research (Lisboa, Skarmeas, and Saridakis 2016) with the three dimensions of EO i.e. "innovative, proactive, and risk-taking" that performance increases with increased EO. A similar study was conducted and concluded that the company's...
performance increases with an increase in EO (Palmer et al. 2019). Keh, Nguyen, and Ng (2007) also found through the study conducted, that entrepreneurial orientation was found to be positively related to the entrepreneurial performance of Singapore SMEs. So EO is already recognized as one of the key constituents in the success of any company (Wales et al. 2016). The correlation between EO and company performance has been widely discussed, but on the other hand, there are still many unresolved questions, considering that the relationship between EO and performance is a multidimensional construction (Kiyabo and Isaga 2020). This relationship depends on the indicators used to assess EO and performance (Amoako et al. 2022). Companies that tend to have a higher level of entrepreneurial orientation will act independently and are always driven to innovate, take risks, be proactive, and be aggressive (Ciampi et al. 2021). So entrepreneurial orientation has an acceptable meaning to explain business performance (Khan, Rathore, and Sial 2020).

**Hypothesis 2**

Entrepreneurial competence (EC) has a positive effect on the performance of SME companies (FP). Based on the test results obtained path coefficient value of 0.067 (positive) and statistical t value of 1.448 (<1.96) with sig value=0.148 (>0.05), means that the second hypothesis is rejected. The results are not consistent with previous research, among others, the results of studies by Sánchez (2012) and Al Mamun et al. (2016). Aliyu (2017); Zizile and Tendai (2018); and Barazandeh et al. (2015) found entrepreneurial competence (EC) has a positive effect on company performance. Research results in Sakib et al. (2022) in Bangladesh place the sixth dimension of competence as the antecedent variable of SME Performance. The results of the study revealed that not all dimensions of competence have a positive effect on improving the performance of SMEs. Such as organizing and leadership competence, learning, relationships, and commitment of employers have a significant positive impact on the performance of SMEs. In contrast, strategic and operational competencies do not affect the performance of MSMEs. The contribution of this study is to determine the relevant entrepreneurial competencies and empirically examine their impact on the performance of SMEs in developing countries. Finally, the competency measurement from this study provides a unique scope for designing such training and development programs for entrepreneurs.

**Hypothesis 3**

Entrepreneurial competence, SME Performance, and external integration

The third hypothesis states that external integration can develop a relationship between entrepreneurial competence (EC) and the performance of SMEs (FP). From the analysis obtained the value of the coefficient of EC to FP with EXIN moderation variable of -0.018 (negative) and the value of statistic t =0.488 (< 1.96) or the value of sig=0.654, then the third hypothesis (H3) was rejected. So the results of this study do not include concepts developed by Tehseen and Ramayah (2015). In his hypothetical study, the importance of entrepreneurial competence to the success of SME business is conceptualized by incorporating the concept of external integration as a moderator between the relationship of independent and
dependent variables. It seems that the awareness of SMEs in the province of Bali has not been maximized to coordinate supply partners and customers to the internal part of the company (Rusmana and Setyawan 2021). Statement Schroeder and Goldstein (2020) suggest that improving the performance of suppliers and customers requires better coordination efforts, not only in the internal company but also with external parties. SMEs' strong relationships with customers and suppliers enable SMEs to gain access to information about the latest client preferences and tastes, as well as new technologies and innovative techniques. On the other hand, the study findings found that the direct relationship of external integration (ExIn) with the performance of SMEs (FP) is significantly positive (see Table 4). In addition, SMEs' strong relationships with customers and suppliers allow them to gain access to the latest information on client preferences and tastes, new technologies, and innovative techniques. Several studies are looking at the impact of external integration on the relationship between business resilience and success in SMEs. Finally, this study will add to the existing knowledge of business resilience, external integration, and the success of SMEs in the manufacturing industry, especially clothing in Bali province.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of confirmatory testing through outer loading, Cronbach's Alpha, Composite Reliability, and AVE can be said that the model meets the required conditions. The results of the first hypothesis test; are that entrepreneurial orientation (EO) has a positive effect on the performance of SME companies (FP). Based on the test results obtained the first hypothesis is accepted. This means that the increasing EO of SME leaders will further improve the performance of SMEs in Bali Province. The results of the second hypothesis test that entrepreneurial competence (EC) has a positive effect on the performance of SME companies (FP). The second hypothesis was rejected. The results of the third hypothesis test that external integration can moderate (strengthen) the influence of entrepreneurial competence (EC) on the performance of SMEs. The third hypothesis (H3) was rejected.

This study has some limitations, among others; the data collected is only limited to a few districts/cities in the province of Bali, so it does not represent a wide range of companies associated with SMEs from the perspective of developing countries. Readers should therefore not generalize the findings of this study to all companies regardless of their size worldwide. Therefore, future studies may be conducted to examine findings from different settings such as developed countries or from different time frames to ascertain the significant environmental dynamics of the data collected. So further studies can be conducted to compare the performance of SMEs in developing countries related to entrepreneurial competence along with developed countries to provide more general findings. Further studies may also determine whether there is a moderating or mediating role between SME Performance and entrepreneurial competence.
ADVANCED RESEARCH

Based on the limitations that exist in this study, it is advisable to expand the range of the population, both involving cross-regional (provincial and or district/city) and even cross-country. It is necessary to conduct a more longitudinal study, considering that reaching one's perception requires patience and repeated time.

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